

PUBLIC EMPLOYEES RETIREMENT BOARD MEETING

June 12, 2006

8:30 A.M.

A regular meeting of the Public Employees Retirement Board convened at 8:30 a.m., Monday, June 12, 2006, in the TierOne Community Meeting Room at 1221 N Street, Lincoln, Nebraska.

The Board members were notified of this meeting by letter dated June 2, 2006. Public notice of this meeting was published in the Lincoln Journal Star and Omaha World Herald on Monday June 5, 2006. Mr. Peters chaired the meeting and Ms. Bond recorded the minutes.

MEMBERS PRESENT:

CHARLES PETERS, CHAIR
DENIS BLANK, VICE-CHAIR
ROGER REA
DALE KAHLA
MARK SHEPARD
GLENN ELWELL
JUDGE GLENN CAMERER
RICHARD WASSINGER
CAROL KONTOR, EX-OFFICIO

NONMEMBERS PRESENT:

ANNA SULLIVAN
Director
JESSICA KOLTERMAN
for Jason Hayes, Leg. Retirement Counsel
GARY BUSH
DAS - State Budget Administrator's Office
KRISTA DAVIS
State Auditor's Office
JOE SCHAEFER
Legal Counsel
JAN FOX
Training Supervisor
RANDY GERKE
Accounting and Finance Manager

MARY JOCHIM
Sterling Financial Advisors
CHAD MELCHER
Union Bank & Trust
HOWARD KENSINGER
Nebraska Supreme Court
SANJAY GUPTA
Saber Solutions
SRIRAM RAMANUJAM
Saber Solutions
TERESA ZULAUF
Internal Auditor
JANE BOND
Retirement Plan Supervisor

Agenda Items 1 and 2 - Meeting Called to Order: Chairperson Peters called the June 12, 2006, Board Meeting to order at 8:30 a.m. Present at roll call: C. Peters, D. Blank, R. Rea, D. Kahla, M. Shepard, G. Elwell, G. Camerer, R. Wassinger, and C. Kontor. Absent: None.

Agenda Item 3 - Approval of Minutes: Mr. Rea moved that the minutes of the May 13 and May 26, 2006, Board Meetings be approved. Motion was seconded by Mr. Blank. Members voted as follows: For: D. Blank, R. Rea, D. Kahla, M. Shepard, G. Elwell, G. Camerer, R. Wassinger, and C. Peters. Against: None. Motion carried.

Agenda Item 4 - Approval of Budget Status Report: Mr. Gerke stated there is one month left for expenses to be added to the budget expenses. The percent of time elapsed is 91%, however only 82% of the budget has been spent. Since this is the first year of the biennium, any budget savings will be carried over to next year. We are in a better position this year than last year. We are trying to hold the line on expenses. PSL is at 80%. Forté training was in the budget and was not used, as well as the personnel vacancies. The Board is also below what was budgeted for it.

Mr. Rea moved to approve the budget status report. Motion was seconded by Mr. Shepard. Members voted as follows: For: R. Rea, D. Kahla, M. Shepard, G. Elwell, G. Camerer, R. Wassinger, C. Peters, and D. Blank. Against: None. Motion carried.

Agenda Item 5 - Approval of May Retirement Report: Mr. Kahla moved to approve the May 2006 Retirement Report. Mr. Rea seconded the motion. Members voted as follows: For: D. Kahla, M. Shepard, G. Elwell, G. Camerer, R. Wassinger, C. Peters, D. Blank, and R. Rea. Against: None. Motion carried.

Agenda Item 6 - Technology Area Update: Mr. Gerke reported the team is working on the Disaster Recovery Plan. It was patterned after the Minnesota Retirement's Disaster Recovery Plan.

Mr. Gerke received a preliminary summary of what NITC has found so far regarding the Forté to Java analysis. There may be a problem with the ADA requirement for the visually impaired. He also mentioned that PIONEER is very task oriented and very rigid. These are things we need to watch for in any kind of conversion we would have with another company or NITC. He expects the report to be finalized by the end of June and it will be presented at the July Board Meeting by the NITC representative doing the work. Mr. Peters asked if there was a recommendation on the Forté to Java migration. The preliminary recommendation was that we do need to migrate from Forté to Java and PIONEER is such a complicated system that we will probably need Saber to do that. Mr. Peters asked how long the transition would take. Mr. Gerke responded that he thought it could possibly take 18 months.

The team is working on the 7% maximum salary increase cap which will be in effect July 1. It is in the testing environment.

Work on the interfaces with Union Bank & Trust is taking a large amount of time. Mr. Blank asked Mr. Gerke to expand on the Ameritas / Union Bank transition timeframe and what can be expected. The blackout is from the last week of June until the 17th of July. Members will not be able to see their account and will not be able to make any changes in their investment options. Mr. Blank asked how we will be responding if members state the blackout period is too long. Mr. Gerke replied that the length of the blackout is industry standard. Ms. Jochim

and Ms. Bond both stated they are receiving calls from members making these comments and Ms. Bond confirmed that members are being told the longest the members will be blacked-out is through July 17th and the Call Center is providing whatever assurance they can.

Mr. Rea asked if members could be notified if the blackout period ends early. Notification will be placed on the website, but we do not have everyone's email address, so we will not be able to contact members personally. We will be encouraging members to check our website to see if the blackout has ended.

Ms. Jochim mentioned that some members will say they would have moved money with the volatile market. Mr. Peters asked whether there is any legal liability. Mr. Schaefer replied there is not because all of the members have been notified.

Agenda Item 7 - Covansys Annual Report: Two documents from Saber Corporation were provided to the Board members in their packets, which is information regarding the Covansys merger with Saber Corporation.

Mr. Sanjay Gupte and Mr. Sriram Ramanujam from Saber Solutions, formerly Covansys, were present to provide their annual report.

Mr. Gupte provided the annual report. He reported that 350 Covansys employees transferred over to Saber Solutions effective June 1, 2006.

Ms. Kontor asked if Saber continues to support Forté in the corporate sector. Mr. Gupte stated private sector support is continued. Ms. Sullivan noted that Sun Microsystems bought Forté and the Forté issue is not related to the Covansys/Saber merger.

Mr. Gupte stated their retirement business constitutes 35 to 37 percent of their revenue.

Mr. Rea asked about the 18-month conversion process from Forté to Java. Mr. Gupte stated it would work in logical "chunks." PIONEER is divided into two parts, memberships and benefits. During conversion they will need to work with the users to define the screens to take windows from Forté to Java. Each "chunk" will take six to eight months.

Mr. Rea asked how much conversion can be done in-house and how much Saber must do. The coding part must be done by Saber and we can work on some of the other parts involving possibly 25 to 30 percent of the work. Ms. Sullivan noted that we do not have programmers on site because we did not train staff on Forté when we learned of the need for migration to Java.

Mr. Gupte stated last year there were five Covansys people supporting the system and this year there are only two people supporting the system, which they feel is an indication of how stable the system is. Last year they implemented five major changes due to change in legislation or change in policy. This year there was only one, the 7% maximum salary increase cap.

Mr. Rea asked Mr. Gerke when he would be coming back to the Board regarding the conversion process and if the Board will be looking at this issue again. Mr. Gerke stated he hopes to have the NITC report next month. In order to move forward, we will need an RFP and probably a budget deficit request. He hopes to actually get started by the end of the calendar year. Sgt. Elwell asked for a guestimate on the cost for the migration. Mr. Gupte stated it would probably be \$4 to 5 million, including the new hardware and software that will be installed.

Mr. Rea moved to accept the Covansys Annual Report. Mr. Blank seconded the motion. Members voted as follows: For: M. Shepard, G. Elwell, G. Camerer, R. Wassinger, C. Peters, D. Blank, R. Rea, and D. Kahla. Against: None. Motion carried.

The Board took a break at 9:50 a.m. and reconvened at 10:08 a.m.

Agenda Item 8 - Retirement Workload Update: Ms. Bond distributed her report which includes information regarding the Call Center, the Benefits area, and Specialties area. A copy of the report can be obtained from NPERS.

Ms. Bond reported the State and County dividend make-up payments have been made and the members have been notified. There were 1530 members eligible for the payment. She also provided other details of workload activity in her work areas.

Mr. Rea moved to accept the Retirement Workload Report. Judge Camerer seconded the motion. Members voted as follows: For: G. Elwell, G. Camerer, R. Wassinger, C. Peters, D. Blank, R. Rea, D. Kahla, and M. Shepard. Against: None. Motion carried.

Agenda Item 9 - Policy No. 13 - Draft Revision: Mr. Schaefer stated Policy No. 13 was revised in accordance with the motion made by Judge Camerer at the May meeting that the reimbursement policy be brought into conformance with the State regulations. A draft copy of Policy No. 13 had been provided in the Board packets. Mr. Schaefer stated the only change to the policy was in paragraph 7, dealing with the annual Board retreat, that the reimbursement for expenses shall be "in conformity with the Travel Expense Policies adopted by the Nebraska Department of Administrative Services, AM005." A copy of the policy can be obtained from NPERS.

Judge Camerer moved to adopt Policy No. 13 as presented by Mr. Schaefer. Sgt. Elwell seconded the motion. For: G. Camerer, R. Wassinger, C. Peters, D. Blank, R. Rea, D. Kahla, M. Shepard, and G. Elwell. Against: None. Motion carried.

Agenda Item 10 - Investment Officer's Update: Ms. Kontor reported that the Investment Council met on May 23. They reviewed the first quarter performance report.

The Council also reviewed the new age-based investment fund and the Council members approved the age divisions.

Ms. Kontor reported there were good investment returns through March 31. From March 31 to close of market last Thursday, the Wilshire was down 3.3%, but we are still in positive territory for the year.

This is Ms. Kontor's last PERB Meeting and Dave Bomberger, the new Investment Officer, will be attending the July PERB Meeting. Ms. Kontor stated that she has enjoyed working with PERB over the last four years, and wishes PERB all the best in the future.

Mr. Rea moved to accept the Investment Officer's report. Mr. Kahla seconded the motion. Members voted as follows: For: R. Wassinger, C. Peters, D. Blank, R. Rea, D. Kahla, M. Shepard, G. Elwell, and G. Camerer. Against: None. Motion carried.

Agenda Item 11 - Director's Report: Ms. Sullivan reported she has met with Mr. Gerke regarding the budget and they will continue to meet and will have something more definitive for the Board at the July PERB meeting.

The actuarial contract will need to be rebid in 2007. An experience study, which looks at the assumptions in the defined benefit plans, will need to be done in connection with this. The actuarial assumptions may be a topic for the Retreat. The decision will need to be made if the Experience Study should be done by the current actuary or the successful bidder for the contract in 2007.

The State, County, and DCP audit is still in progress. The School, Judges, and Patrol audit will be beginning in August, according to a recent letter from the Auditor's office.

The Education and Retreat Committee will be finalizing the topics for the Board Retreat following today's meeting. The Retreat will be held on August 20 and 21. Once the committee meets, they will refine the list of topics and provide to the other Board members by email.

Staff provided a presentation at a recent State HR/payroll meeting regarding LB 366 and immediate participation and the contribution rate change were the primary topics.

The June retirement seminars are all full. The School employer workshops are now underway.

Mr. Rea asked if there was an update regarding the Interim Studies. Mr. Hayes is out of town and Mr. Schaefer will be talking to him later this week. Ms. Kolterman stated that Mr. Hayes has prioritized the list of Interim Studies and it is possible it will be fall before hearings will be held.

There will be a new reimbursement form that will be effective July 1, 2006. Ms. Sullivan will forward the email that provides the website for the Department of Administrative Services for download for the Board's review if minor changes are needed to the form.

Mr. Rea moved to accept the Director's report. Mr. Kahla seconded the motion. Members voted as follows: For: C. Peters, D. Blank, R. Rea, D. Kahla, M. Shepard, G. Elwell, G. Camerer, and R. Wassinger. Against: None. Motion carried.

Agenda Item 12 - Public Comments or Correspondence from Citizens: There were no public comments or correspondence from citizens with business not scheduled on the agenda.

Agenda Item 13 - Chairperson's Comments: Mr. Peters mentioned that hotel reservations for the NCTR Annual Conference in Austin, Texas, will need to be booked soon because there is also a Texas game that weekend. The Conference is October 14 through October 18. If Board members plan to attend the Conference, the October Board Meeting date may need to be changed.

The week prior to that is the International Foundation's Annual Conference, which is also a very good conference to attend per comments from a couple of the Board members.

Agenda Item 14 - Future Meetings/Agendas: The next meeting will be held on Monday, July 17, 2006, in the TierOne Community Meeting Room at 1221 N Street. Agenda items will include finalizing the Retreat Agenda and the budget request. Ms. Sullivan is currently working on goal setting and priorities for the next two years for the agency.

Mr. Blank has a conflict on September 18 and asked the Board members to check their calendars to see if the meeting could be changed to September 11. If Board members attend the NCTR Conference, the October Board Meeting date may also need to be moved.

Agenda Items 15 and 16 - Executive Session: At 11:14 a.m., Mr. Rea moved that the Board exit Regular Session and convene in Executive Session for the purpose of discussing disability applications in Retirement Nos. 065897, 405526, and 125511, the Performance Audit Action Plan, and other legal matters. Motion was seconded by Mr. Blank. Members voted as follows: For: C. Peters, D. Blank, R. Rea, D. Kahla, M. Shepard, G. Elwell, R. Wassinger, and G. Camerer. Against: None. Motion carried.

Mr. Shepard left the meeting during Executive Session at 12:30 p.m.

At 1:00 p.m., Judge Camerer moved that the Board exit Executive Session and reconvene in Regular Session. Motion was seconded by Sgt. Elwell. Members voted as follows: For: C. Peters, D. Blank, R. Rea, D. Kahla, G. Elwell, G. Camerer, and R. Wassinger. Against: None. Motion carried.

Mr. Rea moved for approval of the disability applications for Retirement Nos. of 065897, 405526, and 125511. Mr. Kahla seconded the motion. Members voted as follows: For: D. Blank, R. Rea, D. Kahla, G. Elwell, G. Camerer, R. Wassinger, and C. Peters. Against: None. Motion carried.

Adjournment: Mr. Blank moved that the meeting adjourn. Motion was seconded by Mr. Rea. Members voted as follows: For: R. Rea, D. Kahla, G. Elwell, G. Camerer, R. Wassinger, C. Peters, and D. Blank. Against: None. Motion carried.

The meeting adjourned at 1:02 p.m.

Anna J. Sullivan
Director